



BACKGROUND: ENTITLEMENT SPENDING

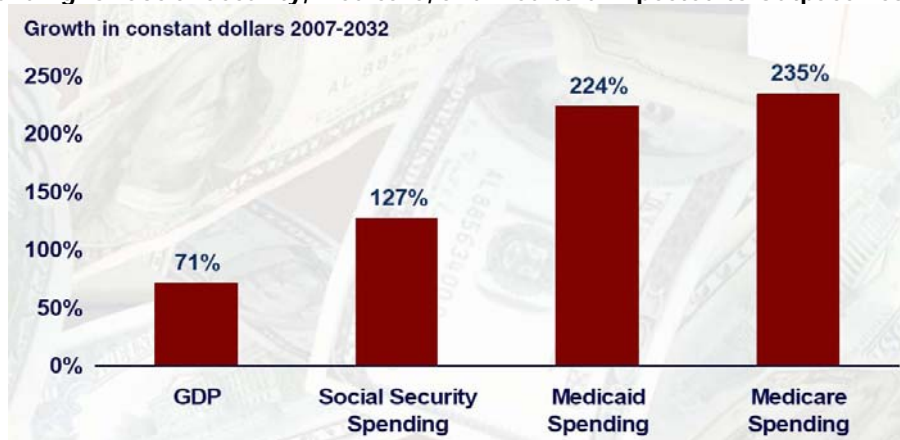
Runaway entitlement spending threatens to leave the federal government fiscally adrift and unable to keep the promises it has made.

Just the Facts

"A long-term shortfall of \$13.6 trillion looms over Social Security. By 2017, only nine years from now, Social Security will begin paying out more than it collects in payroll taxes...the situation is even worse for Medicare, which provides health care for 43 million elderly and disabled Americans. Medicare already receives 35 percent of its funding from general revenues rather than taxes or premiums. That figure is projected to be 45 percent in just five years...The longer leaders wait to address the problem, the more severe the tax increases or benefit cuts will have to be in the future." ([The Greenville News Editorial](#), 1/23/08)

- On January 1, 2008, the first of 77 million baby boomers reached the early retirement age, becoming eligible for Social Security. Three years later, that first baby boomer will become eligible for Medicare.
- "The US is at risk of losing its top-notch triple-A credit rating within a decade unless it takes radical action to curb soaring healthcare and social security spending, Moody's, the credit rating agency, said on Thursday." ([Financial Times](#), 1/10/2008)
- "The Congressional Budget Office projects that, absent reform, federal spending could drive federal tax rates up to 90% or more--on both corporations and individuals--by 2045." ([Heritage](#), 1/15/2008)
- "When you divide the unfunded costs of promised entitlement benefits by the number of Americans who work full time, says [GAO Comptroller] Mr. Walker, it equals \$410,000 per worker." ([Washington Times](#), 2/8/2008)
- In 2006, the Republican-led Congress enacted an entitlement reform package – the Deficit Reduction Act – that will save the federal government nearly \$100 billion over the next 10 years.

Growth in Spending for Social Security, Medicare, and Medicaid Expected to Outpace Economic Growth

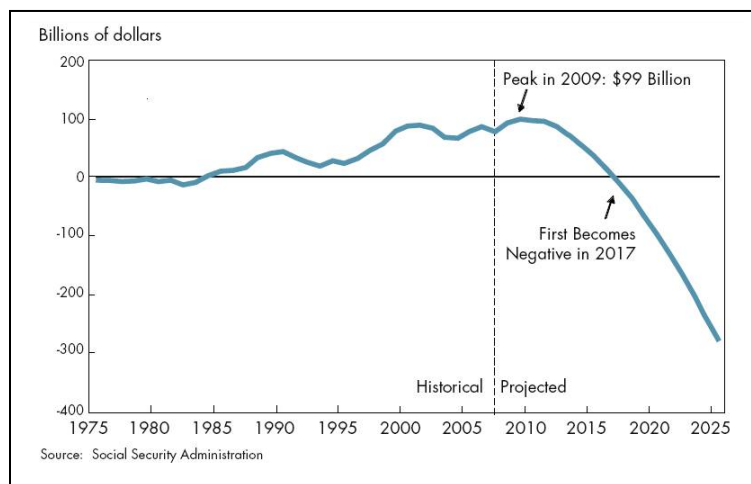


Source: U.S. Government Accountability Office



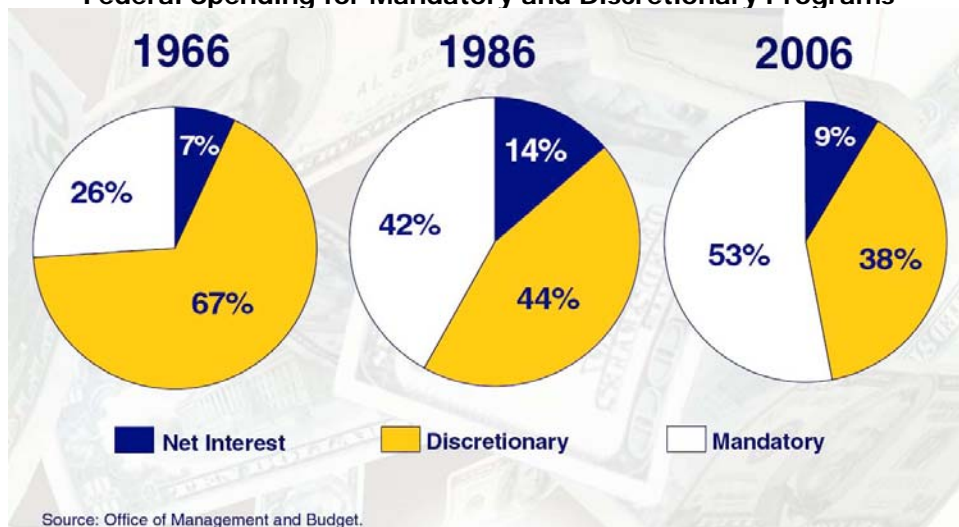
- "Medicare and Medicaid spending threaten to consume an untenable share of the budget and economy in the coming decades," (Comptroller General David Walker, 1/29/2008)
- "Over the next 10 years the cumulative difference between Medicare expenditures and public receipts is projected to total \$2.8 trillion." ([American Academy of Actuaries](#), April 2007)
- "The American Academy of Actuaries says eliminating the 75-year Medicare deficit would require an immediate 122% increase in the 2.9% Medicare payroll tax, a 51% cut in benefits, or a combination of the two." ([USA Today](#), 1/16/08)

Actual and Projected Social Security Balances



- "By 2017, Social Security is expected to start paying out more than it collects in payroll taxes. It faces a funding gap over the next 75 years of about 1.8% of taxable payroll. That gap could be addressed by raising taxes or cutting benefits by a like amount, CBO says." ([USA Today](#), 1/16/08)
- "Social Security faces a shortfall over the indefinite future of \$13.6 trillion in present-value terms, an amount equal to 3.5 percent of future taxable payrolls." ([Treasury Department Issue Brief](#))

Federal Spending for Mandatory and Discretionary Programs



Source: U.S. Government Accountability Office